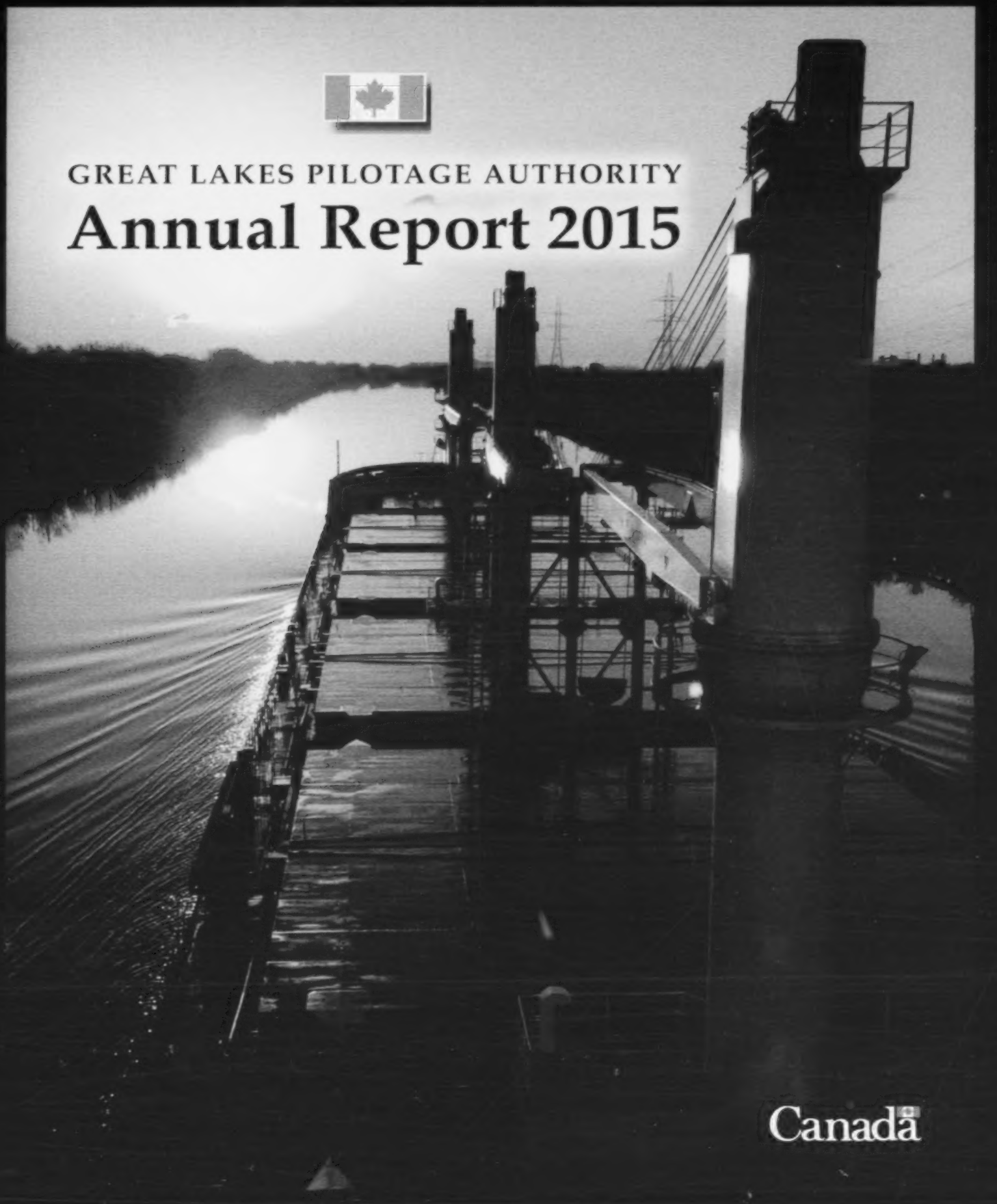

GREAT LAKES PILOTAGE AUTHORITY

Annual Report 2015

Canada

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All photos in this report were taken in the Great Lakes by Authority pilots.

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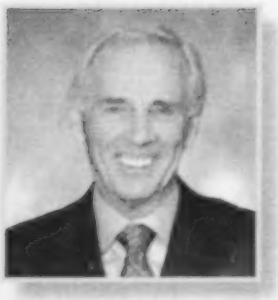
BOARD OF DIRECTORS



Chair
① MR. J. D. SMITH
Public Interest Representative

Vice-Chair
① MS. D. DION
Public Interest Representative

Member
① CAPTAIN M. PRATT
Pilot Representative

Member
① CAPTAIN J. POUND
Shipping Industry Representative

Member
② MR. D. GRIEVE
Shipping Industry Representative

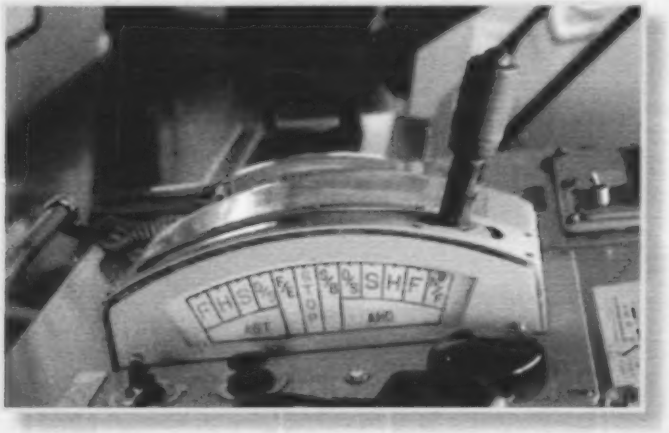
Member
② CAPTAIN M. DESROCHERS
Pilot Representative

Member
② MR. T. GEDDES
Public Interest Representative

① Member of the Governance and Human Resources Committee
② Member of the Audit Committee

EXECUTIVE OFFICERS AND MANAGEMENT OF THE AUTHORITY

Executive officers and management of the Authority, *from left to right, front row,* Diane Couture, Director of Operations; Christine Doherty, Executive Assistant; Kim Pecore, Payroll, Personnel and Systems Administrator; Nathalie Archambault, Chief Accountant; *back row,* Richard Quenneville, Operations Manager; Robert Lemire, Chief Executive Officer; Stéphane Bissonnette, Chief Financial Officer.



MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

February 25, 2016

The Honourable Marc Garneau, P.C., M.P.
Minister of Transport

Dear Minister,

On behalf of the Board of Directors and Management of the Great Lakes Pilotage Authority (the Authority), we are pleased to submit, pursuant to Section 150 of the Financial Administration Act, our 2015 Annual Report.

The Authority continues to provide safe, efficient and reliable pilotage services in the Great Lakes Region and the Port of Churchill, Manitoba. The Authority incurred a small operating loss in 2015 of $351,662 following five consecutive years of surplus totaling $5.3 million dollars. The latest approved Corporate Plan will see the Authority eliminate its accumulated deficit in the next two years.

Traffic in 2015 decreased 4% from 2014 and remained 6.5% above the five year average, reflecting the slight economic improvements in the North American economy experienced in the last five years since the 2008 financial crisis. This increase in traffic has been handled at a reducing manpower level, increasing the productivity of all GLPA pilots. The Authority has started to renew its workforce given the elevation of unscheduled pilot retirements in 2014 and 2015. A total of 15 pilots (25% of total workforce) have been hired in the last 18 months to renew the pilot workforce that currently has an average age of 61 years. This initiative is necessary and costly to the Authority and is the major reason for the 2015 operating loss.

The Authority has followed the Government of Canada's initiative in reducing costs and is in the process of implementing more transparency in the reporting of travelling and hospitality expenses. The Authority has also embraced the concept of providing a healthy and supportive work environment as well as recruiting and developing individuals with the skills and competencies to serve Canadians effectively in the future.

The users of the services benefited in 2015 of a net tariff increase of 0.5% in an environment where inflation averaged 2%. This benefit has been appreciated in an environment where freight rates for owners are at the lowest in recent history.

Revenues in 2015 decreased by 4% to $25,553,947 from 2014 due mainly to the reduction in traffic levels. Total expenses totaled $25,905,609, an increase of 2% due mainly to unbudgeted one time pilot handling costs and legal costs associated to a ship grounding. The Authority finished the year with an accumulated deficit of $779,567, which will be eliminated in the next two years. The deficit was reduced from a high of $5.5 million in 2009.

We would like to recognize the role of the Board of Directors, dedicated management and staff and the highly skilled and professional group of pilots, as they all played a major role in allowing the Great Lakes Pilotage Authority to continue to meet its goal of providing safe and efficient pilotage.

On behalf of the members of the Authority

J. Douglas Smith
Chair

Robert F. Lemire
Chief Executive Officer

MANDATE

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority is deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*. On October 1st, 1998, the Authority ceased to be a subsidiary of the St. Lawrence Seaway Authority and has surrendered its charter under the *Canada Business Corporations Act*.

OBJECTIVES

The Authority's corporate objectives are summarized as follows:

- To provide economic, safe, reliable and comprehensive marine pilotage and related services in its region of responsibility.
- To promote the effective utilization of the Authority's facilities, equipment and expertise through the productive application of these resources in such activities and geographic areas as may be appropriate in the interest of safe navigation.
- To provide the above services within a commercially-oriented framework directed toward achieving and maintaining financial self-sufficiency at the least cost to the user.
- To be responsive to the Government's environmental, social and economic policies.

POWERS

To carry out its responsibilities the Authority has made regulations, approved by Order-in-Council, pursuant to the *Pilotage Act* for:

1. The establishment of compulsory pilotage areas.
2. The prescription of the ships or classes of ships subject to compulsory pilotage.
3. The prescription of the classes of pilot licenses and classes of pilotage certificates that may be issued.
4. The prescription of the tariffs of pilotage charges to be paid to the Authority for pilotage services.

In addition, the Authority is empowered by the *Pilotage Act* to:

1. Employ such officers and employees, including licensed pilots, as required.
2. Contract with a body corporate for the services of licensed pilots.
3. Make by-laws respecting the management of its internal affairs.
4. Purchase, lease or otherwise acquire land, buildings, pilot boats and such other equipment and assets as may be required and to dispose of any such assets acquired.
5. Borrow money for the purpose of defraying the expenses of the Authority.
6. With the approval of the Minister of Finance invest any money not immediately required for the purposes of the Authority in bonds or other obligations guaranteed by Her Majesty in right of Canada.

VISION STATEMENT

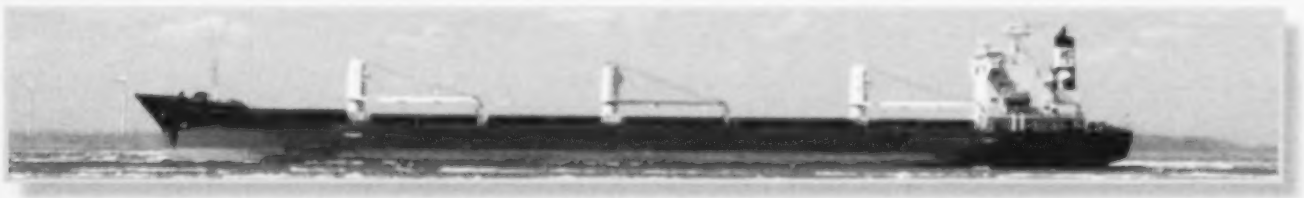
At its April 2015 Strategic Planning Session, the Authority's Board of Directors approved the Authority's new vision statement.

"To be the global leader in providing safe and efficient marine pilotage services."

MISSION STATEMENT

At its April 2015 Strategic Planning Session, the Authority's Board of Directors approved the Authority's new mission statement.

"Working in partnership with our key stakeholders, we provide professional, progressive and reliable marine pilotage services that are safe, environmentally sensitive, efficient and economical."



DESCRIPTION OF THE OPERATIONS

The Authority operates in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba and in Quebec south of the northern entrance to the St. Lambert Lock.

Services are provided through the performance of pilotage assignments on those vessels entering the region which are subject to compulsory pilotage by pilots employed by the Authority, using pilot boats contracted by the Authority and dispatch services, both controlled through Pilotage Headquarters at Cornwall, Ontario.

The Authority must co-ordinate its efforts and operations with a number of other organizations such as The St. Lawrence Seaway Management Corporation and the United States Seaway Development Corporation, who operate the lock facilities and maintain traffic control systems within the Region; the Canadian Coast Guard, who provide aids to navigation and the United States Coast Guard, who are responsible for the United States pilotage matters in international waters.

The Great Lakes Pilotage region is divided as follows:

- Cornwall District
- International District No. 1
- Lake Ontario
- International District No. 2 (including the Welland Canal)
- International District No. 3 (including Lakes Huron, Michigan and Superior)
- The Port of Churchill, Manitoba

CORPORATE GOVERNANCE

The Authority's approach to Corporate Governance is fully consistent with the philosophy and objectives of the Department of Finance and the Treasury Board's Guidelines for Crown Corporations.

Role of the Chair

On the recommendation of the Minister of Transport, the Chair is appointed by the Governor in Council. The Chair presides at all meetings of the Board of Directors, provides leadership and guidance to the CEO of the Authority and on behalf of the Board, advises the Minister of Transport on all issues involving the Authority and Pilotage in the Great Lakes.

Role of the Board of Directors

Corporate Governance at Great Lakes Pilotage Authority is the responsibility of the Board of Directors. The Board's role is to guide and supervise the affairs of the entity on behalf of the Government of Canada, by whom the Directors are appointed.

The Board is composed of the Chair and up to six other members chosen to ensure that an appropriate mix of expertise, experience and marine perspective is reflected in its decision-making. The Authority is operating with a full complement of Directors. The specific function of the Board includes reviewing and recommending to the Minister of Transport, Great Lakes Pilotage Authority's policies, corporate plan, capital and operating budgets. The Board has input in and approves the Authority's Strategic and Corporate Plans. The Board prepares annually an Accountability Accord with the CEO detailing all objectives and goals expected to be met during the operating year. At year end the Board undertakes an exhaustive performance evaluation of the CEO to determine the status of all objectives so as to assess the performance of the CEO and the Authority. It also reviews and approves all major contracts, operational plans, financial statements, the auditor's report and the annual report. The Board ensures that the Authority maintains the highest standards in operating a safe, efficient and cost effective pilotage service.

Role of the Audit Committee

The Audit Committee is a standing committee of the Authority's Board and represents the engine of the Authority as it will improve the quality of the financial reporting, ensure the key risks are identified and managed, enable the directors to contribute their independent judgement, create a climate of discipline and control that will reduce the opportunity for fraud and increase stakeholder confidence in the credibility and objectivity of corporate performance.

The committee has the authority to investigate any activity of the Authority. The committee ensures the financial oversight and the oversight of the corporate books, records, general and management control and information system and management practices.

Role of the Governance and Human Resources Committee

The Governance and Human Resources Committee is a standing committee of the Authority's Board that is responsible to oversee the governance and human resources issues of the Authority. The mandate of the committee is to review and update the Authority's succession plan, Board member appointment and renewals and review and update the Authority's By-Laws and Directives.

The committee ensures good corporate governance and implements best practices in discharging its responsibilities.

Role of the Chief Executive Officer

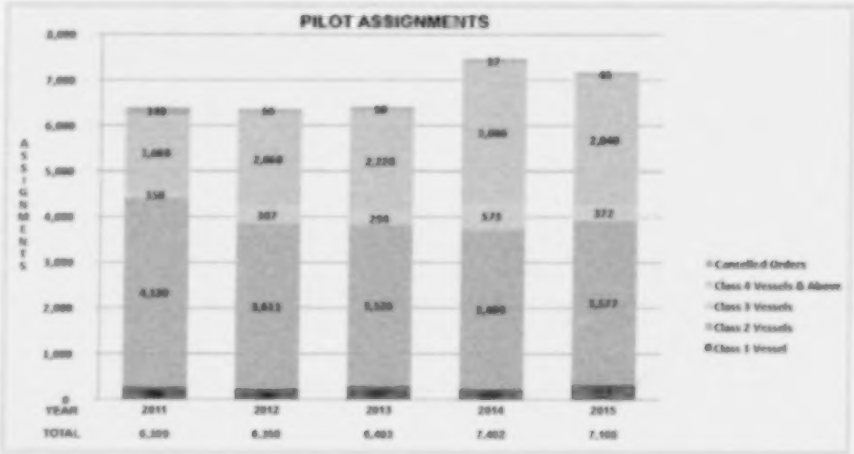
A Chief Executive Officer is appointed by the members of the Board of Directors pursuant to section 13. (1.1) of the *Pilotage Act*. The remuneration of the CEO is fixed by an Order in Council. The CEO has the responsibility to plan, organize, direct and control the business of the Authority and reports to the Chair and the Board of Directors.

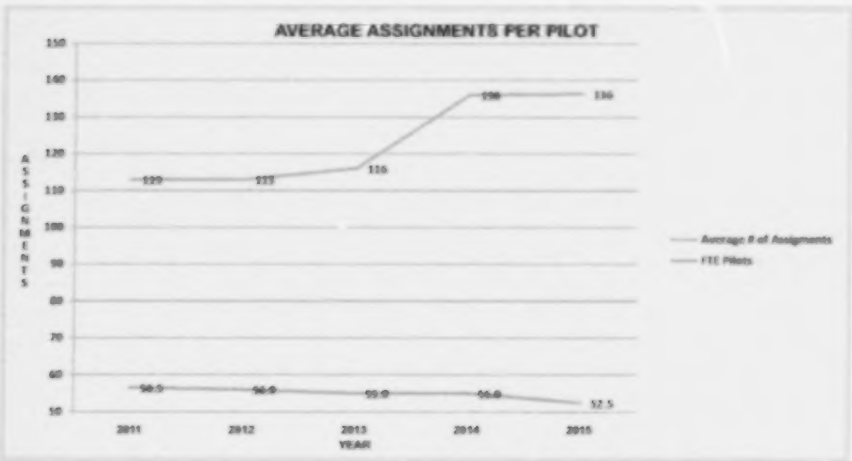
MANAGEMENT DISCLOSURE AND ANALYSIS

This is a review of the Great Lakes Pilotage Authority's operations, performance and financial position for the year ended December 31, 2015, with comparative figures.

Traffic

Traffic in 2015 decreased by 4% in comparison to the 2014 assignments (7,462) but was 10% higher than the budgeted assignments (6,531). The higher traffic than budgeted was driven by strong inbound steel shipments and the slight economic improvements in the North American economy. Although the traffic levels are fairly consistent with 2014 levels, the Authority saw a return to an assignment profile where the small vessels, class 1 and 2, represent the majority of the vessels sailing the Great Lakes. In 2015, the large vessels, class 3 and 4 which are the largest ships that can navigate in the Seaway locks, accounted for 45% as compared to 49% in 2014.





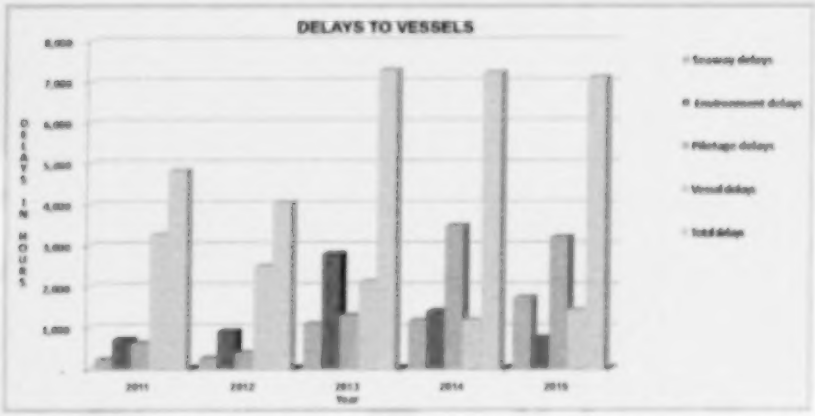
As a result, the pilots averaged 136 assignments, which is similar to 2014. The current workload that the pilots have serviced in the 2014 and 2015 cannot be maintained as the levels exceed a reasonable number that the Authority can support without risk of pilot fatigue and possible safety concerns. Feedback from the pilots have communicated that they cannot maintain the 2014 and 2015 service levels with the current pilot numbers without increasing the number of vessel delay hours due to a shortage of pilots.

Service Levels

The Authority has employee pilots who work under collective agreements which dictate scheduling and call backs when traffic increases during peak periods. The Authority staffs at levels which will be able to meet peak traffic but is cautious in not having too many pilots given their fixed remuneration package. Delays to shipping are very costly to the users and are closely monitored in order to measure performance.

Total delays in 2015 to ships requiring pilots in the Great Lakes were 7,110 hours, of which 45% or 3,199 hours were directly attributable to a shortage of pilots. In 2014, the total delays were 7,225 hours of which 48% or 3,475 hours were attributable to a shortage of pilots. Delays due to shortages in pilots experienced in 2015 were directly attributable to the increase in surges of traffic, being a 10% increase in comparison to the budget which determined the pilot numbers for 2015, an unforeseen 2.5 FTE reduction due to early pilot retirements, overcarried pilots due to the ice conditions experienced at the start of the navigation season, as well as the United States Coast Guard's decommissioning of the navigation aids one week earlier than in 2014 in the Detroit River, Lake St. Clair and the St. Clair River.

Delays to Vessels



Marine Incidents

Navigational safety in the Great Lakes is the primary objective of the Authority and its pilotage system. The Authority reviews, on an annual basis, all marine incidents in the Great Lakes for Canadian officers and Canadian pilots. The Authority has no jurisdiction over American officers and pilots sailing those waters, therefore no statistics are kept for those groups. The total number of marine incidents for Canadian pilots this year was 9, which is a reduction for the 16 reported in 2014.

Following the review of incidents for 2015, the Authority has identified 3 major incidents requiring separate disclosure. None of these incidents resulted in the loss of life, serious injuries, or any environmental spills. After investigation, it was determined that only 1 major incident was due to pilot error.

The Authority is regularly reviewing measures with its pilot training committee to address past incidents as to recreate similar situations in simulation, thus allowing pilots to practice on these and other emergency manoeuvers during their winter training.

Comparative Chart – Number of Marine Incidents by Type

INCIDENT	2015	2014	2013	2012	2011
Collision	1	-	-	-	-
Foundering	-	-	-	-	-
Fire/Explosion	-	-	-	-	-
Grounding	4	4	-	-	1
Striking	1	2	-	-	-
Contact	3	8	9	3	1
Touching Bank/Bottom	-	2	-	3	1
Ice Damage	-	-	-	-	-
Ship Arrestor	-	-	-	-	-
TOTAL	9	16	9	6	3
Percentage of Incident Free Assignments	99.9%	99.8%	99.9%	99.9%	99.9%

2015 Synopsis

As depicted in the above statistical table, there is no special trend in the 2015 incidents.

Canadian Environmental Assessment Act (2012)

In compliance with section 71 of the *Canadian Environmental Assessment Act 2012 (CEAA 2012)*, the Authority is pleased to confirm that there were no significant activities to be reported.

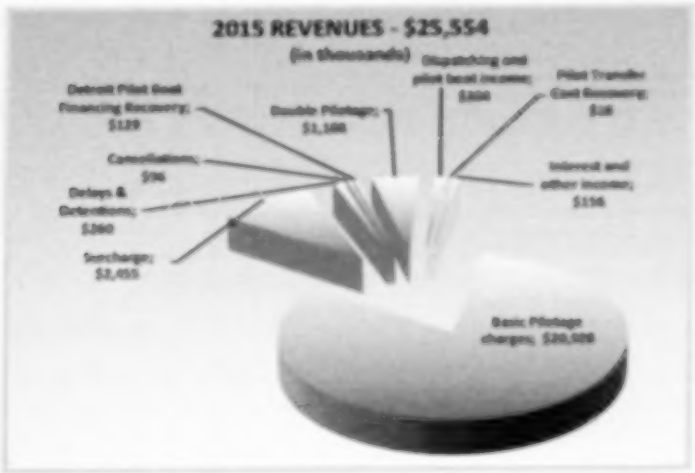
Qualified Licensed Pilots

The Authority saw its first 2 apprentice-pilots who have been following the revised training program being fully licensed in October 2015. As at December 31, 2015, 3 apprentice-pilots are following the training program and are expected to be licensed in the spring 2016. In light of the increased traffic assumed to be maintained and given the average age of the current pool of pilots being 61, the Authority has examined its pilot number requirements and will have 10 apprentice-pilots start their training during the 2016 navigation season.

FINANCIAL OVERVIEW

The purpose of this analysis is to facilitate the understanding of the financial statements presented in the following pages and to explain variations between the 2015 results and the results of the previous year.

For 2015 the Authority recorded revenues of $25.6 million and a net loss of $0.4 million, resulting in an accumulated deficit of $0.8 million. The 2015 operation loss is mainly attributable to higher pilot compensation for the unbudgeted 10% increase in traffic serviced by the existing pool of pilots, unanticipated pilot handling charges and an increase in professional fees.

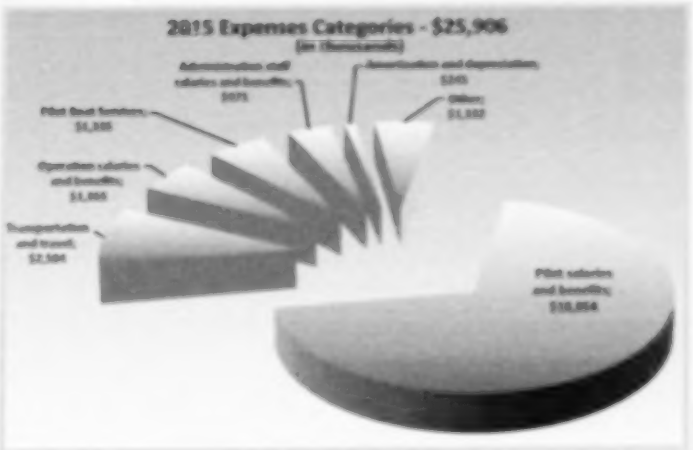


Revenues

For 2015 the Authority recorded revenues of $25,554,000, a decrease of $(1,048,000) compared to 2014. The decreases in the Authority's revenues are mainly driven by a $(830,000) decrease in period and delay/detention revenues; $(581,000) due to the 4% decrease in traffic; $(233,000) due to a 1% decrease in the surcharge rate; and $(171,000) due to the lower large vessel ratios; offset by $405,000 due to the 1.5% increase in general tariffs implemented to offset inflation; $143,000 for the new Detroit pilot boat financing cost recovery tariff; and $107,000 of incremental revenue in District No. 3.

Expenses

For 2015, the Authority recorded expenses of $25,906,000, an increase of $640,000. The majority of the Authority's expenses are pilot wages and benefits as well as pilot travel costs and pilot boat services, both directly associated to servicing vessels, and thus, increases with higher assignments demands.


2015 Expenses Categories - $25,906
(in thousands)
Administration staff salaries and benefits; $975
Amortization and depreciation; $245
Other; $1,332
Pilot Boat Services; $1,335
Operation salaries and benefits; $1,805
Transportation and travel; $2,504
Pilot salaries and benefits; $18,854

Pilot wages and benefits decreased $(191,000) compared to 2014. These decreases were driven by $(174,000) and $(178,000) of overtime and productivity decreases driven by the 4% decrease in traffic, $(199,000) in employee benefit actuarial variances; offset by $224,000 of 2.75% wage increases; and $166,000 of additional apprentice-pilot training costs.

Pilot boat services increased $184,000 compared to 2014. These increases were driven mainly by the $143,000 new Detroit pilot boat financing costs paid to the Lakes Pilots Association and the new anchorage charges at Port Colborne and Port Weller.

Other expenses increased by $399,000 compared to 2014. These increases were driven mainly by $244,000 for the new pilot transfer services at the St. Lambert Lock, the Beauharnois Lock and Lock 7 in the Welland Canal; $130,000 of additional professional fees for services to survey our employees on their engagement and for legal fees relating to incident investigations; and $41,000 of additional apprentice-pilot recruiting and training.

Cash Flow

The Authority has a $3,000,000 line of credit but did not need to access any of the available funds in 2015 (used up to a maximum of $202,000 of its line of credit for 14 days in 2014).

As of December 31, 2015, the Authority had a cash balance of $5.1 million ($2.1 million as at December 31, 2014) and $1.5 million in working capital ($2.1 million in 2014). The Authority had short term investments of $2.1 million ($5.5 million in 2014) and long term investments of $0.3 million (NIL in 2014).

GOVERNANCE REVIEW

Collective Agreement Renewal

The Authority's pilots and operation staff are represented by bargaining units. The administrative and dispatching staff are represented by The Public Service Alliance of Canada. The collective agreement was renewed in 2013 and expires June 30, 2016.

All pilots are members of The Canadian Merchant Service Guild and saw their collective agreements renewed in 2012 and 2013. These four collective agreements expire March 31, 2017.

Enterprise Risk Management

An Enterprise Risk Management (ERM) program has been incorporated as part of the Authority's strategies to manage its risks and to seize opportunities in achieving its objectives. Every year, the Board periodically reviews the risk register with a view to update the risk assessments and ensure appropriate mitigating controls are in place. During the Authority's two-day strategic planning session, the Board and Senior Management established its strategic plan for the following two years. It is at this planning session held in April 2015 that the Board identified and prioritized the following risk profiles and has developed mitigation measures.

Risk Table

Priority	Risk Title	Category	Likelihood	Impact	Risk Rating
1	Traffic Volatility	Financial	EXTREME	EXTREME	EXTREME
2	Pilot Succession	Organizational	VERY HIGH	HIGH	VERY HIGH
3	Pilot Labour Relations	Organizational	VERY HIGH	HIGH	VERY HIGH
4	Recruiting and Training Pilots	Strategic	HIGH	HIGH	HIGH
5	Marine Incidents	Incident	MEDIUM	VERY HIGH	HIGH
6	Financial Risk/Stability and Tariff Objections	Financial	MEDIUM	HIGH	MEDIUM
7	Security/Business Continuity	Operational	LOW	VERY HIGH	MEDIUM
8	U.S. Pilotage Concerns	External	HIGH	MEDIUM	MEDIUM
9	Pilotage Certification	Operational	MEDIUM	HIGH	MEDIUM

In 2015, the Authority continued with its Internal Audit Plan, which addresses the Authority's risk areas. In 2015, an internal audit was completed on the Authority's procurement process, including its open competitive procurement practices and contract management. The auditors concluded that the controls and procedures are operating effectively. All process improvements recommendations have either been implemented or are planned to be implemented in 2016.

Special Examination – Auditor General of Canada

In 2008, as required by Part X of the *Financial Administration Act* (FAA), the Auditor General of Canada carried out a Special Examination of the financial and management controls and information systems and management practices maintained by the Great Lakes Pilotage Authority. The Authority is required by paragraphs 131 (1) (b) and 131 (2) (a) and (c) of the FAA to maintain these systems and practices in a manner that will provide reasonable assurance that the following requirements are met:

- the assets of the Authority are safeguarded and controlled;
- the financial, human and physical resources of the Authority are managed economically and efficiently; and
- the operations of the Authority are carried out effectively.

GOVERNANCE REVIEW (cont'd)

The Auditor General of Canada presented on April 11, 2008 its report to the Board of Directors of the Authority stating that there is reasonable assurance that there were no significant deficiencies in the systems and practices they examined, except for the significant deficiency relating to the system of exempting Canadian ships from compulsory pilotage in the Great Lakes. With the cooperation, input and consultation with the Canadian domestic shipowners and the support from Transport Canada – Marine Safety, the deficiency was addressed 2013 with the introduction of a Pilotage Certification system which meets the requirements of the *Pilotage Act* and is based on examinations and approved Pilotage Certificate Training Programs.

The next Special Examination is scheduled for 2017 at the latest, unless the Office of the Auditor General deems it necessary before such a date.

ACCESS TO INFORMATION

The Authority believes that openness and transparency are the building blocks in building a relationship of trust with its customers, partners and all other stakeholders. Our objective is to respond promptly, and with transparency, to all information requests from the public, the media and all those interested in the Authority's operations.

The Authority submitted its 2014-2015 annual reports on Access to Information and Privacy in the spring 2015, respectively, to the Access to Information Commissioner and the Privacy Commissioner, as well as the Minister of Transport.

In calendar year 2015, the Authority received 2 requests under the *Access to Information Act* and the *Privacy Act*. One of the requests did not respect the proper process and was deemed unsupported. This compared to NIL requests received in calendar year 2014.

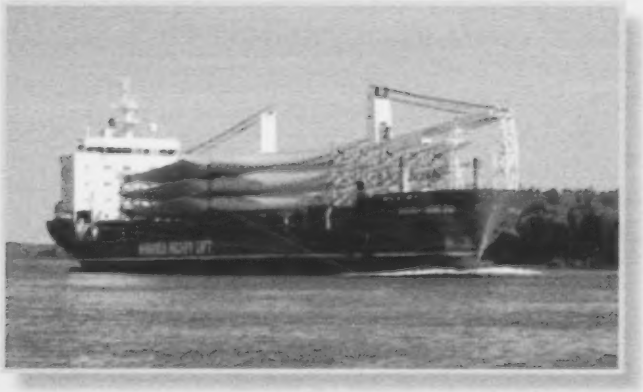
The Authority has complied with the Federal Government to post the responses to requests it received under the *Access to Information Act* on their website www.open.canada.ca.

2015 STRATEGIC OBJECTIVES AND ACHIEVEMENTS

FINANCE	
OBJECTIVE	**PERFORMANCE**
• Continue focus on improving the Authority's financial self-sufficiency profile.	• The Authority has consulted with the industry and is in the process of amending its 2016 and 2017 tariffs as to allow it to finance the incremental apprentice-pilot training costs due to high levels of pilot retirements and the need to increase pilot numbers for the normalized higher traffic as well as to incorporate a new pilot change fee at the St. Lambert, Beauharnois and Welland Canal Locks as a cost recovery mechanism.
• Eliminate its existing accumulated deficit of $0.4 million by the end of 2015.	• Generated a loss of $0.4 million in 2015 resulting in an accumulated loss of $0.8 million. *Refer to the Financial Overview section for additional comments.*
• With the other 3 Pilotage Authorities, examine alternative methods of amending tariffs to be conducive to our business needs.	• Participated in the CTA Review process. Awaiting publication of results.
• Develop a strategy for the eventual elimination of the tariff surcharge as well as a financial reserve strategy.	• The Authority continues its open and transparent discussions with the industry of its financial results and challenges. It is an ongoing process for the next 5 years.

HUMAN RESOURCES	
OBJECTIVE	**PERFORMANCE**
• Monitor the orientation strategies and performance of the Chief Financial Officer and the Director of Operations.	• Both Senior Officers have been following their orientation strategies and have been actively involved in all aspects of the business. • Their performance is in line with the CEO and Board's expectations.
• Recruit and train 7 apprentice-pilots.	• 5 apprentice-pilots were recruited and started their training programs in 2015, of which 2 were licensed in October 2015 and the other 3 are expected to be licensed in the Spring 2016. • 5 apprentice-pilots were recruited prior to December 31, 2015 with training to start at the beginning of the 2016 navigation season.
• Continue to give high priority to pilot training and evaluation by monitoring the changing operating environment and assessing the impact on training requirements.	• 10 pilots and 1 apprentice-pilot completed the annual simulator training program, which represents approx. 20% of pilots. All pilots were evaluated by their peers and the Director of Operations. • The Director of Operations has reviewed the incident reports and leveraged pilotage issues in other regions as to bring modifications to the 2016 training program.
• Create awareness of the importance of early retirement notification for succession planning purposes.	• In the summer 2015, all employees were surveyed on potential retirement plans for the next 5 years. • The results provided valuable insight into the need for recruiting of apprentice-pilots as well as part-time pilot requirements. • With the 4 retirement notices received in 2015, a minimum 6 month advance notice was provided.
• Initiate an employee engagement survey and analyze the results to better understand and address employee concerns.	• Survey was launched in the Fall 2015 with an 82% response rate. • Management started to analyze the results with the goal to report its action plans to the Board of Directors in Q1 and a communication to all employees in Q2 2016.
• Initiate the development of an employee portal	• Due to other priorities in 2015, this was reprioritized for 2016.

GOVERNANCE	
OBJECTIVE	**PERFORMANCE**
• Recruit new Board members following the term expiration.	• A new Board member was appointed in February 2015 (J. Pound). • Actively pursuing 2 candidates with the required candidate profile determined by the Governance Committee in anticipation of 2 term expirations in early 2016. • Providing the Governor in Council with support in the appointment process, as requested. • 3 Board members were re-appointed in 2015.
• Develop the Authority's 2016-2018 Strategic Plan	• Management and the Board of Directors finalized its 2016-2018 Strategic Plan in Q2.
• Develop professional development strategies for Board members	• The 2015 professional development work plan was finalized in Q2 2015. • Financial Statement Literacy training was provided to the Board in Q3. • Communication and Crisis Management awareness was provided to the Board in Q4.
• Policy Development and Review	• 4 Authority directives were revised in 2015. • 2 new directives were finalized in 2015 – *Post-Incident Reporting and Accounts Receivable and Collections.* • Updated the *Audit Committee Charter* as well as the *Governance and Human Resources Committee Charter.*
• Comply with all Government policies	• The Authority has analyzed its directive on Travel and Hospitality pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditures policies, guidelines and practices with Treasury Board policies. The Authority is expecting to have its directive fully compliant by Q1 2016. • The Authority complied with the *Federal Identity Program, the Access to Information Act, Privacy Act, Official Languages Act* and the *Employment Equity* legislation requirements. • The Authority also followed all the regulations listed in the FAA *and the Regulations* governing Crown Corporations.



OPERATIONS	
OBJECTIVE	**PERFORMANCE**
• Reduce vessel delays caused by shortage of pilots.	• Vessel delays caused by a shortage of pilots were 3,199 hours in comparison of 3,475 in 2014. *Refer to the Management Discussion and Analysis, Service Level section for additional comments.*
• Review and standardize double pilotage requirements	• This review was put on hold given other 2015 priorities.
• Continue to be vigilant in monitoring all transits and report deficiencies as well as communicate issues to pilots as to achieve a 100% assignment incident free performance.	• There were 9 incidents reported in 2015 for a 99.9% incident free rate. • The Director of Operations has been reviewing all incidents and debriefing the pilots with all pertinent information as to safety considerations. • Pilot training program is revised on an annual basis following the incident assessments.
• Revamp the apprentice-pilot training program.	• Operations management and pilots jointly reviewed and updated the Apprentice Pilot Training Program manual, including the introduction of a Simulator Training Module. • All new apprentice pilots benefitted from the new Simulator training added to the program. They were able to practice various scenarios in ports not frequently visited and practice scenarios in case of emergency situations in their particular district and acquire additional manoeuvering skills.
• Implement the passage plan program as to meet Transportation Safety Board's requirements.	• Operations management and pilots jointly developed the Introduction and the Pilotage information to the Great Lakes passage plan. The Cornwall District's passage plans are completed. All other districts' passage plans are expected to be completed in 2016 with the complete Great Lakes Region passage plans to be available for the start of the 2017 navigation season. • Operations management and pilots jointly started to create a Pilot – Master Exchange information card. Completion expected for the spring of 2016.

PILOTAGE CERTIFICATION	
OBJECTIVE	**PERFORMANCE**
• Plan and initiate a new record of transits in the Great Lakes Region for Pilotage Certificate holders.	• All completed by October 2015 and supported by the Canadian Shipowners Association.
• Audit and approve Great Lakes Marine Pilotage Certificate Training Programs.	• Received three submissions in 2015. They have been reviewed and approved during the season. Finalized approval of a submission of 2014.
• Review and update the Pilotage Certificate document.	• This review was put on hold as the 2016 review and amendments to the Great Lakes Pilotage Regulations will affect the content of the pilotage certificate content.
• Revamp the content of the Great Lakes Marine Pilotage Certificate Training Program.	• This review was put on hold given other 2015 priorities.
STAKEHOLDER RELATIONS	
• Analyze the results of the customer satisfaction survey and develop action plans to address critical areas where the Authority falls short of customer expectations.	• Survey results were shared with the Shipping Federation of Canada, employees, and other industry stakeholders. • The Authority developed action plans surrounding the following themes: - Improving communication - More user friendly website - Customer focus from employees - Improve relations with agents
TECHNOLOGY	
• Plan and initiate the migration of its dispatching and billing system to the new platform as to achieve a go-live implementation for the beginning of the 2016 navigation season.	• A contract has been signed and configuration discussions have started. • Initiative was delayed due to participation of the US Coast Guard for a joint system. Revised go-live is for the beginning of the 2017 navigation season.

LOOKING FORWARD – 2016 AND BEYOND

Preparations are underway for 2016 and future years to ensure the Authority fulfills its mandate to establish, operate, maintain and administer a safe and efficient pilotage service in a self-sustaining financial manner.

Finance

With the 2015 operational loss setback after 5 years of surpluses and stable economic growth in 2014 and 2015, the Authority's primary financial objective remains to eliminate its existing accumulated deficit and to do so by the end of fiscal 2017 and to be financially self-sufficient on a going forward basis.

In consultation with its main stakeholders, the Authority started the tariff regulation amendment process to modify its tariff rates for 2016 and 2017. The proposed changes would result in a 12.0% surcharge rate for 2016 (a 1.0% increase) and a 11.5% surcharge rate for 2017 (a 1.5% increase) as well as the introduction of a pilot change fee of $125 per pilot transfer at each of the St. Lambert Lock, the Beauharnois Lock and Lock 7 in the Welland Canal. In consultation with the industry, there were no indications of objections and is expected to obtain final approval for May 2016.

Human Resources

With an important number of pilot retirements expected as well as the Authority's objective to reduce the number of vessel delays due to shortage of pilots, the Authority is to successfully recruit and train 7 new apprentice-pilots in 2016.

The Authority will be reviewing and analyzing the employee feedback from its employee engagement survey as to develop action plans for areas that have been identified to improve its employees' work experience at the Great Lakes Pilotage Authority.

Governance

The Authority will continue to provide assistance to the Governor in Council on the identification, selection and appointment of qualified Board members that meet the member profile that complements and enhances the current Board composition.

Stakeholder Relations

The Authority's objective is to maximize the efficiency of the pilotage system by being attentive to its customers' business needs in a joint effort to ensure a profitable and efficient pilotage service within the Great Lakes region for commercial vessels.

Following the Authority's customer satisfaction survey in 2015, it has reviewed and analyzed its results as well as developed action plans to address the crucial service areas identified in the survey. The Authority will communicate its findings to its customers and continually monitor the progress in meeting the customers' expectations.

Operations

The Authority continues to invest in its Long Term Training Program for its pilots. One of the focuses continues to be on Bridge Resource Management, enabling pilots to work more effectively and efficiently as to further reduce the risks of errors on the navigation bridge when pilots and captains of vessels navigate the restricted waters of the St. Lawrence River and the Great Lakes.

The Authority will continue to monitor its practices to optimize its pool of pilots as to improve the service levels and reduce the delays caused by a shortage of pilots. The planned increase in the pilot numbers for 2016 and ongoing years to better align with the higher traffic experienced in the last few years is believed to positively enhance the Authority's ability to better align with the industry's service level expectations.

Pilotage Certification

The Authority will start to review the Regulations for possible amendments to appropriately address issues from the grandfathering phase as well as continue its efforts on updating the pilotage certification training program and consider modifications to the pilotage certificate.

Technology

The Authority has invested in modernizing its dispatch and billing system with an implementation date scheduled for the start of the 2017 navigation season. Along with the system upgrade, it will also be reviewing its current processes as to revamp the system to more effectively meet its needs and those of its customers as well as ensuring its resources are utilized to their full potential.

The Authority will also be investing in the replacement of its Portable Pilotage Units (PPU). Management and pilot representations will evaluate various systems to select a PPU that meets pilot needs while considering the value for money. Implementation is scheduled for the start of the 2017 navigation season.

The Authority will develop a strategy to identify and review its exposure and vulnerability to cyber threats and minimize intrusions.

OPERATING SUMMARY - ACTUALS

	BUDGET 2016	2015	2014	2013	2012	2011
FINANCIAL RESULTS (in 000's)						
Revenue	$25,370	$25,554	$26,602	$22,223	$20,558	$19,599
Operating Costs	25,322	25,906	25,266	21,323	20,182	18,945
Comprehensive Income (Loss)	$ 48	$ (352)	$ 1,336	$ 900	$ 376	$ 654
AVERAGE HUMAN RESOURCES (Full Time Equivalent)						
Administrative	11.0	11.0	10.0	9.5	9.5	9.5
Pilots	54.5	52.5	54.5	56.0	56.0	56.0
Apprentice-Pilots	5.5	3.5	1.5	0.0	0.0	0.5
Dispatchers	9.0	9.0	9.0	9.0	8.5	8.0
TOTAL	80.0	76.0	75.0	74.5	74.0	74.0
PILOT ASSIGNMENTS						
Actual	-	7,166	7,462	6,403	6,358	6,389
Planned	6,700	6,531	6,100	6,100	6,100	5,325
INCIDENT FREE ASSIGNMENTS						
Number	6,691	7,157	7,446	6,394	6,352	6,386
Percentage	99.9%	99.9%	99.8%	99.9%	99.9%	99.9%
AVERAGE COST OF PERFORMING AN ASSIGNMENT						
Amount	$3,779	$3,615	$3,386	$3,330	$3,174	$2,965

MANAGEMENT REPORT

The management of the Authority is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for all other information presented in the annual report. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgment in establishing reasonable estimates. Financial information shown elsewhere in this annual report is consistent with that contained in the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis. These systems and practices provide reasonable assurance that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, *the Pilotage Act* and regulations and the by-laws of the Authority.

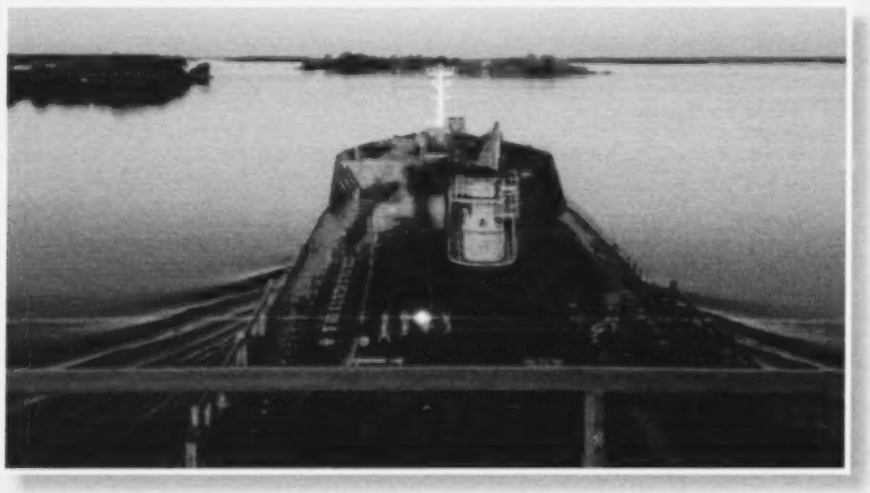
The Board of Directors is comprised of Directors who are not employees of the Authority. The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee oversees the entity's systems of internal accounting and administration control. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements. The financial statements and annual report are reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The external auditor, the Auditor General of Canada, is appointed under the *Pilotage Act* and has audited the financial statements in accordance with Canadian generally accepted auditing standards. His report outlines the nature of the audit and expresses his opinion on the financial statements of the entity.

R.F. Lemire, CPA, CA
Chief Executive Officer

S.J.F. Bissonnette, CPA, CA
Chief Financial Officer

Cornwall, Ontario
February 25, 2016



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Financial Statements

I have audited the accompanying financial statements of the Great Lakes Pilotage Authority, which comprise the statement of financial position as at 31 December 2015, and the statement of operations and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

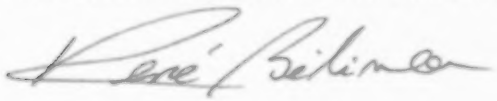
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Great Lakes Pilotage Authority as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Great Lakes Pilotage Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, the by-laws of the Great Lakes Pilotage Authority and the directive issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the financial statements.



René Béliveau, CPA auditor, CA
Principal
for the Auditor General of Canada

25 February 2016
Montréal, Canada

Statement of Financial Position
(In Canadian dollars)

	December 31 2015	December 31 2014
ASSETS		
Current		
Cash and cash equivalents	$ 5,082,501	$ 2,098,448
Investments (Note 10)	2,097,285	5,548,098
Accounts receivable	3,064,070	4,521,308
Prepaids	40,123	37,692
	10,283,979	12,205,546
Non-current		
Long term investments (Note 10)	344,963	-
Property and equipment (Note 7)	355,890	416,225
Intangible assets (Note 8)	225,389	141,168
	$11,210,221	$12,762,939
LIABILITIES		
Current		
Accrued salaries and benefits	$ 7,857,234	$8,952,053
Other accounts payable and accrued charges	590,948	617,855
Employee benefits (Note 13)	326,300	572,800
	8,774,482	10,142,708
Non-current		
Deferred lease inducements (Note 11)	62,406	43,136
Employee benefits (Note 13)	3,152,900	3,005,000
	11,989,788	13,190,844
EQUITY		
Accumulated deficit	(779,567)	(427,905)
	$11,210,221	$12,762,939
Commitments (Note 16)		

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors and authorized for issue on February 25, 2016.

R. F. Lemire
Chief Executive Officer

T. Geddes
Director

Statement of Operations and Comprehensive Income
for the year ended December 31
(In Canadian dollars)

	2015	2014
Revenues		
Pilotage charges	$25,055,822	$26,247,225
Dispatching and pilot boat income	303,974	289,422
Interest and other income	194,151	65,373
	25,553,947	26,602,020
Expenses		
Pilots' salaries and benefits	18,131,296	18,123,382
Transportation and travel	2,583,685	2,413,761
Operation staff salaries and benefits	1,364,995	1,263,841
Pilot boat services	1,355,413	1,171,452
Administration staff salaries and benefits	970,813	974,489
Professional and special services	355,967	225,541
Amortization and depreciation	244,815	265,243
Pilot Transfer Services	244,320	-
Utilities, materials and supplies	157,802	172,448
Pilot training and recruiting costs	142,864	101,940
Pilot laptop and navigation software	115,836	125,324
Rentals	91,826	85,726
Communications	89,737	98,412
Purchased dispatching services	69,415	62,792
Repairs and maintenance	46,980	37,667
Interest and bank charges	17,045	21,586
	25,982,809	25,143,604
Profit (loss) for the year	(428,862)	1,458,416
Other comprehensive income		
Items that will not be reclassified to net results		
Actuarial gain (loss) on employee benefits (Note 13)	77,200	(122,000)
	77,200	(122,000)
Comprehensive income for the year	$ (351,662)	$ 1,336,416

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity for the year ended December 31
(In Canadian dollars)

	2015	2014
Accumulated deficit, beginning of year	$ (427,905)	$ (1,764,321)
Profit (loss) for the year	(428,862)	1,458,416
Other comprehensive income (loss) for the year	77,200	(122,000)
Total comprehensive income (loss) for the year	(351,662)	1,336,416
Accumulated deficit, end of year	$ (779,567)	$ (427,905)

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows for the year ended December 31
(In Canadian dollars)

	2015	2014
Operating activities		
Profit (loss) for the year	$ (428,862)	$1,458,416
Items not affecting cash:		
Employee benefits	(21,400)	(214,300)
Amortization and depreciation	244,815	265,243
Amortization of deferred leasehold inducements	(7,801)	(4,793)
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivables	1,457,238	(491,519)
Decrease (increase) in prepaids	(2,431)	(3,771)
Increase (decrease) in accrued salaries and benefits	(1,094,819)	2,031,411
Increase (decrease) in other accounts payable and accrued charges	(26,907)	210,214
Cash provided by operating activities	119,833	3,250,901
Investing activities		
Purchase of investments	(3,224,852)	(5,848,098)
Disposal of investments	6,330,702	2,455,867
Acquisition of property and equipment and intangible assets	(241,630)	(65,545)
Cash provided (used) in investing activities	2,864,220	(3,457,776)
Cash and cash equivalents		
Net increase (decrease) in cash during the year	2,984,053	(206,875)
Cash, beginning of year	2,098,448	2,305,323
Cash end of year	$5,082,501	$2,098,448
Represented by:		
Cash	$5,082,501	$ 903,588
Cash equivalents	-	1,194,860
Supplemental information		
Interest paid during the year	$ -	$ 223

The accompanying notes are an integral part of these financial statements.

1. Authority and objectives

The Great Lakes Pilotage Authority, Ltd. (The Authority) was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. and was a subsidiary of the St. Lawrence Seaway Authority. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority was deemed to have been established under subsection 3(1) of the Pilotage Act. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters.

In July 2015, the Authority was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Authority's next corporate plan.

The Authority has reviewed its directive on travel and has assessed that it is in compliance with the Travel Directive. However, its review did identify hospitality areas within its directive where it does not respect the Government's *Directive on Travel, Hospitality and Conference and Event Expenditures*. The results have been provided to the Board of Directors as to obtain their approval on the required modifications. The revised directive will be presented to the Board for approval at its February 2016 meeting. Communication and implementation of supporting processes are planned to be in place for the start of the 2016 navigation season.

The Authority is exempt from any income taxes.

The principal registered address and records office of the Authority are located at 202 Pitt Street, 2nd floor, Cornwall, Ontario.

Regulation of tariff of pilotage charges

The Authority shall, with the approval of the Governor in Council, make regulations prescribing tariffs of pilotage charges to be paid to that Authority. The tariff approval process is set out in the *Pilotage Act*. Consequently, the Authority must first publish the proposed tariff regulation in the *Canada Gazette*. Any person who has reason to believe that a regulation in this proposal is not in the public interest may file a notice of objection, setting out the grounds therefore, with the Canadian Transportation Agency (Agency) within thirty days following publication of the proposed regulation in the *Canada Gazette*. In such a case, the Agency must investigate the proposed regulation as necessary or desirable in the public interest, including the holding of public hearings. Once its investigation is complete, the Agency must make a recommendation within 120 days following the receipt of notices of objection, and the Authority is required to govern itself accordingly. The Agency is an entity related to the Authority as an organization of the federal government.

The tariffs may come into force 30 days after their publication in the *Canada Gazette*. However, where the Agency recommends a pilotage charge that is lower than that fixed by the Authority, the Authority is required to reimburse the difference between this charge and the charge recommended by the Agency, plus interest, to any person who has paid the fixed charge. *The Pilotage Act* stipulates that the Governor in Council may amend or cancel a recommendation of the Canadian Transportation Agency.

The tariffs of pilotage charges must be fair and reasonable, and must enable the Authority to operate on a self-sustaining financial basis. Thus, the tariffs fixed are intended to allow the Authority to recover costs.

2. Basis of presentation

(a) Declaration of conformity

These financial statements, including comparatives, have been prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements were approved by the Board of Directors on February 25, 2016.

(b) Basis of measurement

The financial statements have been prepared at historical cost except for financial assets classified as at fair value through profit and loss, which are measured at fair value.

3. Accounting standards

(a) Issued but not yet effective

IFRS 9 – Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Authority continues to evaluate the potential impact of IFRS 9 on its financial statements.

IFRS 15 – *Revenue from Contracts with Customers* – In May 2014, the IASB issued IFRS 15 which provides a framework that replaces existing revenue recognition guidance in IFRS. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contact-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 will be applied by GLPA for annual periods beginning on or after January 1, 2018 using one of the following methods: retrospective or modified retrospective with the cumulative effect of initially applying the standard as an adjustment to opening surplus at the date of initial application. Early adoption is permitted. The Authority continues to evaluate the potential impact of IFRS 15 on its financial statements.

IFRS 16 – *Leases* – In January 2016, the IASB published a new standard to replace the previous IAS 17 – *Lease*. The new standard requires certain leases to be reported on a company's balance sheet as assets and liabilities, provides more transparency and improves comparability between companies. This standard is applicable retrospectively for periods beginning on or after January 1, 2019, with early application permitted. The Authority does not intend to early adopt IFRS 16. The extent of the impact of adoption of IFRS 16 has not yet been determined.

(b) Implemented in the year

There were no new standards, amendments or interpretations issued that required mandatory adoption by the Authority in 2015.

4. Significant accounting policies

The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash equivalents represent short-term, highly liquid investments and consist of Canadian dollar deposits held by a Canadian chartered bank earning a weighted average interest rate of 1% (2014 - 1%).

(b) Investments

The objective of the Authority's investment policy is to maximize the investment rate of return in a Government of Canada guaranteed bond portfolio.

The Authority has elected to designate all investments as fair value through profit and loss (FVTPL). Consequently, investments are initially recorded at fair value, and subsequently re-measured to fair value at each reporting date. Fair value is based on the quoted price of the securities at the reporting date. Purchases and sales of investments are recognized on a settlement date basis.

Realized gains and losses from the interest received and from sale of investments are recognized in interest and other income in the period realized. Unrealized gains and losses from all other fluctuations in fair value are recognized in interest and other income in the period in which they occur.

(c) Property and equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Asset category	Estimated useful life
Buildings	20 years
Furniture	10 years
Leasehold improvements	shorter of the term of the lease and the useful life of the leasehold improvement
Communication and computer equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each year end and adjusted for the future. No depreciation is provided for projects in progress.

(d) Intangible asset

Software is recorded at cost. Amortization of software is calculated on a straight-line basis and is based on the estimated useful life of the asset as follows:

Asset category	Estimated useful life
Software	5 years

Amortization methods, useful lives and residual values are reviewed at each year end and adjusted for the future. No amortization is provided for projects in progress.

(e) Pension benefits

Substantially all of the employees of the Authority are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority to cover current service cost. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

(f) Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of the severance benefits earned by employees is determined annually on an actuarial basis using the projected unit credit method prorated with years of credited service and management's best estimate assumptions, such as the discount rate, rate of salary increase, inflation, retirement ages of employees and other factors. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The benefit costs are determined using the cost of employee benefits for the current year's service, the interest cost on the accrued benefit obligation and net actuarial gain or loss for the year. The average remaining service period of the active employees covered by the plan is 8.0 years (December 31, 2014 – 8.5 years). The measurement date is December 31.

(g) Retirees' death benefits

Former employees who retired prior to 1999 have been granted a death benefit. The liability amount for this benefit is determined annually on an actuarial basis using the projected unit credit method. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The annual cost of this benefit comprises the amount of benefits paid in the year plus the change in the actuarial liability during the year, reduced by a retiree contribution. There are 24 (December 31, 2014 - 26) participants in this closed plan with an average age of 85 years (December 31, 2014 – 84) and an average death benefit of $14,500 as of December 31, 2015 and December 31, 2014. There is also a spousal death benefit for 14 (December 31, 2014 – 15) participants at a fixed amount of $2,000 each as of December 31, 2015 and December 31, 2014.

(h) Employee benefits

The Authority's short-term employee benefits which include compensated absences, are evaluated on an undiscounted basis and are expensed as the related services are rendered.

(i) Effects of changes in foreign exchange rate

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the statement of financial position date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at monthly average exchange rates. All exchange gains and losses are included under interest and other income in profit and loss for the year.

(j) Revenue recognition

Revenues earned from pilotage charges, dispatching and pilot boat income are recognized as services are rendered. Interest and other income are recognized using the effective interest method as they are earned.

(k) Financial assets

Financial assets are classified into one of four categories:

- Fair value through profit or loss (FVTPL);
- Held-to-maturity (HTM);
- Available for sale (AFS); and,
- Loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Authority has financial assets in two categories, FVTPL and loans and receivables.

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Authority manages and has an actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

Cash, cash equivalents and investments are classified as FVTPL. Measuring these investments at fair value provides better alignment between the accounting results and how the portfolio is managed.

Derivative financial instruments are financial contracts that derive their value from changes in an underlying variable. The Authority does not enter into derivative financial instruments for trading or speculative purposes.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest method less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified.

Loans and receivables include accounts receivable. Due to the short-term nature of accounts receivable, their carrying values are deemed to approximate their fair values.

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(iv) Impairment of financial assets other than those measured at fair value

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

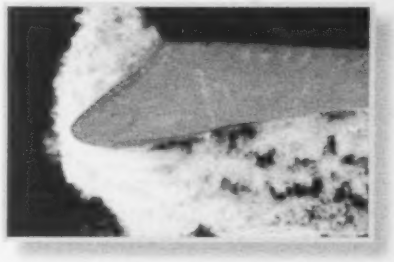
The carrying amount of all financial assets, excluding accounts receivables, is directly reduced by the impairment loss. The carrying amount of accounts receivables is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the resulting carrying amount of the financial asset cannot exceed what its amortized cost would have otherwise been at that date had the previous impairment loss never been recognized in the first place.

(v) Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Authority transfers the financial asset and substantially all risks and rewards of ownership to another entity.



(l) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. All of the Authority financial liabilities are classified as other financial liabilities.

(i) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Authority has classified other accounts payable and accrued charges and accrued salaries and benefits as other financial liabilities. Due to the short-term nature of these accounts, their carrying values are deemed to approximate their fair values.

(ii) Derecognition of financial liabilities

The Authority derecognizes financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

(m) Exchange of services

Exchanges of services are recorded at the estimated fair value of the goods or services received. Revenues from exchange of services are recognized when the related services are rendered. Expenses resulting from exchange of services are recognized during the period when the related goods or services are provided by third parties.

(n) Lease Payments

All Authority leases and leased assets are not recognized on the statement of financial position since virtually all the risks and benefits associated with ownership of leased assets are not passed to the Authority.

Payments under operating leases are expensed on a straight line over the term of the lease.

5. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal year are discussed as follows.

(a) Significant accounting estimates

Significant accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next year.

Employee severance and retirees death benefits

The Authority engaged a third party actuary to assess the fair value of its employee severance benefits and the retirees' death benefit. The Authority assesses these obligations at December 31 each year.

Amortization and Depreciation rates

Refer to Note 4 (c) and 4 (d) for the estimated maximum useful lives of property and equipment and intangible assets.

(b) Significant accounting judgments

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Management has not made any significant accounting judgments in the preparation of these financial statements.

6. Financial instruments

Risk management

The Authority, through its financial assets and financial liabilities, is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk. The Authority manages these risk exposures on an ongoing basis.

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. To manage this risk, the Minister of Finance authorizes the Authority to only invest in bonds or other obligations of or guaranteed by Her Majesty in right of Canada or any province, or any municipality in Canada.

The carrying amount of cash and cash equivalents, current and non-current investments and accounts receivable represents the maximum credit exposure.

The Authority's accounts receivable had a carrying value of $3,064,070 as at December 31, 2015 (December 31, 2014 - $4,521,308). There is no concentration of accounts receivable with any one customer. As at December 31, 2015, 0.8% (December 31, 2014 – nil) of accounts receivable were over 90 days past due, whereas 90% (December 31, 2014 – 71%) were current, or less than 30 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The Authority's allowance for doubtful accounts was nil at December 31, 2015 and at December 31, 2014.

The credit risk related to cash is minimized as these assets are held with a Canadian chartered bank. The credit risk related to cash equivalents and current and non-current investments is minimized as these assets are all bonds or other obligations guaranteed by Her Majesty in right of Canada or any Province, or any Municipality in Canada.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority must operate on a self-sufficiency basis and does not have access to Parliamentary appropriations and, as a result, depends on its funding sources, borrowing and cash flows from operating activities to fill its financing requirements. The Authority manages liquidity risk by continuously monitoring actual and projected cash flows. The Authority has a revolving demand credit facility with a Canadian chartered bank of up to $3.0 million to provide working capital financing. The interest rate is equivalent to the bank's prime rate. The Minister of Finance authorizes this amount. The credit facility is available to the Authority as required and is renewed annually. At December 31, 2015, the Authority was not using the line of credit (December 31, 2014 – nil). During the 2015 year end, the interest expense was nil (2014 - $223).The Authority took measures to obtain a line of credit in order to meet its financial obligation. As at December 31, 2015 and December 31, 2014, the Authority's financial liabilities were limited to accrued salaries and benefits and other accounts payable and accrued charges.

The Authority's financial liabilities had a carrying value of $8,448,182 (December 31, 2014 - $9,569,908). As at December 31, 2015 (December 31, 2014 – 100%), all of the Authority's accrued salaries and benefits and other accounts payable and accrued charges were current or less than 90 days.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments.

(a) Interest rate risk:

The Authority's cash equivalent and investments include current and non-current liquid investments. It is management's opinion that the Authority is not exposed to any significant interest rate risk.

(b) Currency risk and other risks:

The Authority is not presently exposed to any significant currency risk or other price risk.

Fair values

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Authority's cash and cash equivalents and investments are measured subsequent to initial recognition at fair value and are Level 1 at December 31, 2015 and December 31, 2014. The Authority did not have Level 2 or 3 financial instruments at December 31, 2015 and December 31, 2014.

7. Property and equipment

	Buildings	Furniture	Leasehold improvements	Communication and computer equipment	Projects in Progress	Total
Cost						
At January 1, 2014	$ 38,494	$ 102,872	$ 81,955	$ 773,786	$ -	$ 997,107
Assets acquired	-	57,287	52,616	3,571	-	113,474
Disposals	-	(2,200)	-	(2,852)	-	(5,052)
At December 31, 2014	$ 38,494	$ 157,959	$ 134,571	$ 774,505	$ -	$1,105,529
Assets acquired	-	45,312	53,706	2,268	13,094	114,380
Disposals	-	-	(7,815)	(2,583)	-	(10,398)
At December 31, 2015	$ 38,494	$ 203,271	$ 180,462	$ 774,190	$ 13,094	$1,209,511
Accumulated depreciation						
At January 1, 2014	$ 38,494	$ 75,826	$ 54,615	$ 330,614	$ -	$ 499,549
Depreciation for the year	-	12,870	32,602	149,335	-	194,807
Disposals	-	(2,200)	-	(2,852)	-	(5,052)
At December 31, 2014	$ 38,494	$ 86,496	$ 87,217	$ 477,097	$ -	$ 689,304
Depreciation for the year	-	15,064	11,229	148,422	-	174,715
Disposals	-	-	(7,815)	(2,583)	-	(10,398)
At December 31, 2015	$ 38,494	$ 101,560	$ 90,631	$ 622,936	$ -	$ 853,621
Carrying amounts						
At December 31, 2014	$ -	$ 71,463	$ 47,354	$ 297,408	$ -	$ 416,225
At December 31, 2015	$ -	$ 101,711	$ 89,831	$ 151,254	$ 13,094	$ 355,890

8. Intangible assets

	Software	Projects in Progress	Total
Cost			
At January 1, 2014	$ 469,166	$ -	$ 469,166
Assets acquired	-	-	-
Disposals	(19,008)	-	(19,008)
At December 31, 2014	$ 450,158	$ -	$ 450,158
Assets acquired	$ 4,321	$ 150,000	$ 154,321
Disposals	(31,667)	-	(31,667)
At December 31, 2015	$ 422,812	$ 150,000	$ 572,812
Accumulated amortization			
At January 1, 2014	$ 257,562	$ -	$ 257,562
Amortization for the year	70,436	-	70,436
Disposals	(19,008)	-	(19,008)
At December 31, 2014	$ 308,990	$ -	$ 308,990
Amortization for the year	70,100	-	70,100
Disposals	(31,667)	-	(31,667)
At December 31, 2015	$ 347,423	$ -	$ 347,423
Carrying amounts			
At December 31, 2014	$ 141,168	$ -	$ 141,168
At December 31, 2015	$ 75,389	$ 150,000	$ 225,389

9. Bank indebtedness and bank overdraft

Bank indebtedness and bank overdraft at December 31 was nil for 2015 and 2014.

10. Investments

	December 31 2015		December 31 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Current				
Federal Bonds	$ -	$ -	$ 299,360	$ 296,234
Municipal Bonds	788,438	792,835	1,489,691	1,493,082
Provincial Bonds	1,308,847	1,304,091	3,759,047	3,748,615
	$2,097,285	$2,096,926	$5,548,098	$5,537,931
Non-current				
Federal Bonds	$ -	$ -	$ -	$ -
Municipal Bonds	-	-	-	-
Provincial Bonds	344,963	344,175	-	-
	$ 344,963	$ 344,175	$ -	$ -

The interest earned during the year was $42,957 (2014 – $11,559). The annualized rates of return during the period on these investments were between 0.93% and 1.16%.

11. Deferred lease inducement

The Authority has received $27,071 (2014 - $47,929) of lease inducements from its landlord, in form of reimbursements for leasehold improvements. The benefit of this incentive is recognized as a reduction of rental expenses on a straight line basis over the term of the lease. A total of $7,801 has been recognized as a reduction of rental expenses in 2015 (2014 - $4,793).

12. Pension plan

All of the Authority's employees are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employee's required contribution. The general contribution rate effective at year end was $1.28 for employees hired prior to January 1, 2013 and $1.28 for employees hired after December 31, 2012 (2014 - $1.45 and $1.43 respectively) for every dollar contributed by the employee. If an employee's annual salary is greater than $157,700 (2014 - $155,000), the portion of the employee's salary above this amount is subject to an employer contribution of $7.13 (2014 - $7.59) for every dollar contributed by the employee. Contributions during the year were as follows:

	December 31, 2015	December 31, 2014
Authority	$1,054,865	$1,053,228
Employee	867,078	737,276
Total contributions	$1,921,943	$1,790,504

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

The Authority expects that cash outlays of $1,107,000 will be made to the plan in 2016.

13. Employee benefits

(a) Severance benefits

The post-employment severance benefit is provided to all current employees under various collective agreements and employment contracts. The cost of the benefit is fully paid by the Authority. This plan is unfunded and requires no contributions from employees. The Authority measures its accrued benefit obligations of its post-employment severance benefit for accounting purposes as at December 31st of each year. The weighted average of the maturity of the plan at December 31 was 6.5 years (2014 – 6.3 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $185,400. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $167,000.

As part of the collective negotiations and changes to conditions of employment of all employees in the last few years, the accumulation of severance benefits under the severance pay program ceased for some employee groups in 2012 and ceased for the remaining group in 2013. Only one group of employees has additional termination benefits for which these employees will continue to accumulate until the end of their employment. With the exception of the pilot groups, all other employees had the value of the benefits paid in full. For the pilot groups, the value of the severance pay benefits will be paid at termination of employment. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

The method to determine the discount rate did not change in 2015 and is based on projected cash flows and a yield curve.

Information about the plan, measured as at the statement of financial position date, is as follows:

	December 31 2015	December 31 2014
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	$3,339,500	$3,401,800
Current service cost	26,900	26,300
Interest cost	108,700	119,800
Benefits paid	(144,000)	(318,700)
Actuarial loss (gain)	(80,500)	110,300
Defined benefit obligation, end of year	$3,250,600	$3,339,500
Components of expense recognized in profit and loss		
Current service cost	$ 26,900	$ 26,300
Interest cost	108,700	119,800
Total expense recognized in profit and loss	$ 135,600	$ 146,100
Analysis of actuarial gain or loss		
Experience	$ -	$ 9,400
Change in financial assumptions	(80,500)	102,800
Change in demographic assumptions	-	(1,900)
Actuarial loss (gain)	$ (80,500)	$ 110,300
Classification of defined benefit obligation		
Current portion	$ 308,600	$ 556,300
Non-current portion	2,942,000	2,783,200
Defined benefit obligation, end of year	$3,250,600	$3,339,500
Key assumptions used in the actuarial valuation		
Discount rate	3.40%	3.30%
Estimated salary rate increase	1.50%-2.75%	2.00%-2.75%
Age at retirement	65 or current age if older	65 or current age if older

The Authority expects that no contributions will be made to the plan in 2016.

(b) Retirees' death benefits

The death benefit is provided to a closed group of pre-1999 retirees and their spouses. The plan is unfunded and does require a monthly contribution from the retiree of $1.90 per $1,000 of benefit.

The Authority measures the accrued benefit obligation of the retirees' death benefit plan for accounting purposes as at December 31 of each year. The weighted average of the maturity of the plan at December 31 was 7.3 years (2014 – 7.6 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $17,500. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $15,700.

The method to determine the discount rate did not change in 2015 and is based on projected cash flows and a yield curve.

Information about the plan, measured as at the statement of financial position date, is as follows:

	December 31 2015	December 31 2014
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	$238,300	$268,300
Current service cost	-	-
Interest cost	8,900	9,500
Benefits paid	(30,000)	(61,000)
Retirees' contributions	8,100	9,800
Actuarial loss	3,300	11,700
Defined benefit obligation, end of year	$228,600	$238,300
Components of expense recognized in profit and loss		
Current service cost	$ -	$ -
Interest cost	8,900	9,500
Total expense recognized in profit and loss	$ 8,900	$ 9,500
Analysis of actuarial gain or loss		
Experience	$ -	$ 11,900
Change in financial assumptions	3,300	(1,500)
Change in demographic assumptions	-	1,300
Actuarial loss	$ 3,300	$ 11,700
Classification of defined benefit obligation		
Current portion	$ 17,700	$ 16,500
Non-current portion	210,900	221,800
Defined benefit obligation, end of year	$228,600	$238,300
Key assumptions used in the actuarial valuation		
Discount rate	3.4%	3.6%

The Administration expects that no contributions will be made to the plan in 2016.

14. Capital management

The Authority's capital is its equity, which consists of accumulated deficit of $779,567 (2014 - $427,905).

The Authority is subject to financial management and accountability provisions of the *Financial Administration Act* which imposes restrictions in relation to borrowings and acquisition of investments. On an annual basis the Authority must receive approval of all borrowings from the Minister of Finance. The Act limits investments to bonds or other obligations of, or guaranteed by, Her Majesty in right of Canada or any province, or any municipality in Canada. During the periods ended December 31, 2015 and 2014, the Authority has complied with these restrictions.

The Authority manages its equity as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings to ensure that its objectives are achieved efficiently. The tariffs of pilotage charges must be fair and reasonable and must enable the Authority to operate on a self-sustaining financial basis, as required by the *Pilotage Act*.

There were no changes in the Authority's approach to capital management during the year.

15. Related party transactions

Details of the transactions between the Authority and other related parties are disclosed below.

(a) Trading transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The transactions are recorded at their fair value. The Authority paid $4,966 to Public Works and Government Services Canada (2014 - $8,078) and accrued $20,000 to Transport Canada for the cost recovery initiative to process the tariff regulation modifications. The Authority also received $11,416 from Employee and Social Development Canada for government employees' workers compensation. The Authority also contributes to the Public Service Pension Plan, refer to note 12.

The Authority pays rent for its head office in Cornwall, its pilot waiting stations in St. Lambert and Beauharnois to the St. Lawrence Seaway Management Corporation. The St. Lawrence Seaway Management Corporation is a shared governance corporation and related to the Authority based on the significant influence over both entities by the Government of Canada. The amount paid in 2015 was $111,045 (2014 - $83,394). The Authority also received $40,000 from The St. Lawrence Seaway Management Corporation for its support during the testing of hands-free mooring units in the locks.

The Authority recovered $ 9,328 (2014 - $11,874) from the Laurentian Pilotage Authority for its share of the operating costs of the St. Lambert pilotage office. The Authority also recovered $43,465 from Laurentian Pilotage for its share of the cost of pilot transfers at St. Lambert lock.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2015, and 2014 included:

	Year ended December 31, 2015	Year ended December 31, 2014
Short term benefits, such as salaries	$ 653,361	$ 747,287
Fringe and other benefits	115,546	128,299
	$ 768,907	$ 875,586

16. Commitments

The Authority has commitments as at the statement of financial position date in respect of a lease for the rental of office space, pilot boat services, rental agreement of office equipment and simulator for training of Authority pilots, a support contract for the Authority's dispatch system, a contract to upgrade the dispatching and billing system, and a maintenance agreement for the pilot's portable pilotage units. Future minimum rental and contractual payments are as follows:

	December 31 2015	December 31 2014
Less than 1 year	$ 661,478	$ 280,423
Between 1 and 5 years	963,149	313,584
More than 5 years	306,629	328,341
	$1,931,256	$ 922,348

17. Dispatching and pilot boat services to U.S. District No. 1 pilots

As per a letter of understanding, the Authority provides without charge all dispatching services and pilot boat services in Port Weller to the U.S. District No. 1 pilots. The St. Lawrence Seaway Pilots Association (U.S. Pilots Association) provides without charge pilot boat services for the Authority at Cape Vincent, New York.

The value of the services is recorded in revenue and expense. It amounts to $212,825 (2014 - $203,098). The revenue and expense is measured at the fair value of the services received by the Authority.

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